

United States Senate
WASHINGTON, DC 20510-3005

October 21, 2021

The Honorable Jerome Powell
Chairman
Federal Reserve Board of Governors
20th Street and Constitution Avenue N.W.
Washington, DC 20551

Dear Chair Powell,

As the Federal Reserve searches for candidates to replace the Presidents of the Boston and Dallas Federal Reserve Banks, we urge you to highly prioritize finding and approving diverse candidates. We were pleased to hear that finding diverse candidates would be “a big focus for both of these processes.” However, actions speak louder than words, and it is essential you take advantage of this opportunity to bring much needed diversity to the highest levels of the Federal Reserve System.

The Federal Reserve has a well-documented diversity problem. According to the Fed’s most recent Office of Minority and Women Inclusion report, only five percent of the Fed’s overall workforce identifies as Hispanic or Latino.¹ Of the 870 PhD economists employed by the Federal Reserve System, only nine percent are Hispanic and one percent are Black.² You yourself have stated that you are “not at all satisfied with the results” of the Fed’s attempts to recruit more diverse staff, and neither are we.³

The Fed’s diversity problem is especially bad at the executive level. According to the Brookings Institute, in the 107-year history of the Federal Reserve System there have only been three Black members of the Board of Governors, one Black Federal Reserve Bank president, and only three nonwhite Federal Reserve Bank presidents.⁴ There has never been a Latino Federal Reserve Bank President.

The lack of diversity at the Federal Reserve is not only harmful to these underrepresented groups, it has a negative impact on the Fed’s ability to promote maximum employment and price stability, the safety and stability of the financial system, and consumer protection and community development. In the lead up to the 2007-2008, financial institutions targeted segregated minority

¹ <https://www.federalreserve.gov/publications/March-2021-Report-to-the-Congress-on-the-Office-of-Minority-and-Women-Inclusion.htm>

² <https://www.nytimes.com/2021/02/02/business/economy/federal-reserve-diversity.html>

³ <https://www.nytimes.com/2021/03/25/business/jerome-powell-advocates-greater-diversity-at-the-federal-reserve.html>

⁴ <https://www.brookings.edu/research/diversity-within-the-federal-reserve-system/>

neighborhoods with risky subprime mortgages, fueling the financial crisis that crashed our entire economy.⁵ Treasury Secretary and former Federal Reserve Chair Janet Yellen previously said, “if economists are mainly of one gender or race, they are likely to miss things that matter.” This statement is true of every profession. Studies have shown that companies in the top quartile for racial, ethnic and gender diversity were more likely to have returns above their industries’ national medians.⁶ Diversifying the highest levels of leadership will lead to an increase in performance and help the Boston and Dallas Federal Reserve Banks better perform their missions.

The current makeup of the Federal Reserve System does not reflect the country that it serves. Appointing the first Latino Federal Reserve Bank president would be a critical first step in bringing diverse perspectives to the executive management of our nation’s central bank. In light of this, we strongly urge you to work closely with the Boston and Dallas Boards of Directors and search committees to find and select diverse candidates, especially Latino candidates, for the open president positions.

Sincerely,



Robert Menendez
United States Senator



Sherrod Brown
United States Senator



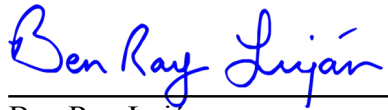
Tina Smith
United States Senator



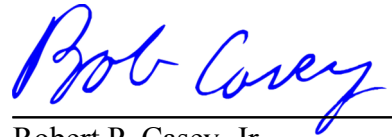
Raphael G. Warnock
United States Senator

⁵ <https://www.reuters.com/article/us-usa-foreclosures-race/racial-predatory-loans-fueled-u-s-housing-crisis-study-idUSTRE6930K520101004>

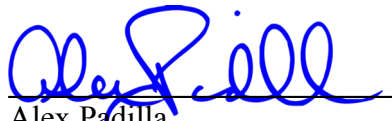
⁶ See e.g., <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>



Ben Ray Lujan
United States Senator



Robert P. Casey, Jr.
United States Senator



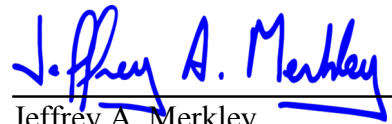
Alex Padilla
United States Senator



Elizabeth Warren
United States Senator



Cory A. Booker
United States Senator



Jeffrey A. Merkley
United States Senator



Catherine Cortez Masto
United States Senator